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C O N F I D E N T I A L SECTION 01 OF 04 SHANGHAI 007043

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SUBJECT: SHANGHAI SCHOLARS ON SCO AND RUSSIA

REF: BEIJING 23353

CLASSIFIED BY: Mary Tarnowka, Section Chief, Political/Economic  
Section, U.S. Consulate Shanghai.  
REASON: 1.4 (b), (d)

11. (C) Summary: In contrast to scholars in Beijing (Reftel), Shanghai SCO scholars told visiting EAP Poloffs in November 1-3 meetings that is unlikely that the SCO will accept new members in 2007, especially Iran. They expect China to continue to promote multilateral economic cooperation within the SCO and to favor economic cooperation as a means to promote regional stability in countries of concern, such as Afghanistan. The scholars support more cooperation and dialogue between the United States and SCO, and one suggested that the United States and Japan become SCO partners. They characterized the political relationship between Russia and China as "good", but "not as good as it should be." End Summary.

12. (C) During their November 1-3 visit to Shanghai, EAP Political Officers Longenecker and Chernawsky, accompanied by Poloff, met with three of Shanghai's prominent Russia and SCO scholars: Shanghai Academy of Social Sciences (SASS) Institute of European and Asian Studies Director Pan Guang; Shanghai Institute of International Studies (SIIS) Russia-Central Asian Studies Director Lu Gang; and SIIS Research Management and International Exchanges Director Shao Yuqun.

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No New SCO Members  
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13. (C) In contrast to the views expressed by Beijing scholars reported reftel, the three Shanghai SCO scholars all believed it was unlikely that the SCO would accept any new members in 2007.

Pan said that while the Secretariat General had been tasked with coming up with a mechanism for countries to become members, he thought that the mechanism would not be ready in time to allow new members in 2007. He indicated that although it was clear Iran wanted good relations with Central Asia, Russia and China, several SCO members were uncomfortable with having Iran as a member. Pan noted that Iran had joined the SCO as an observer before Ahmadinejad became President and before the nuclear crisis. He said that several members of the SCO wanted neither for the SCO to become involved in the nuclear issue nor for it to provide Iran a platform. He noted that there were also divisions within the SCO over membership for India and Pakistan.

Pan explained that there were currently no border disputes among SCO members, but many of the possible new partners had such issues.

14. (C) Lu and Shao noted that the SCO was a young organization that was still evolving. Before it could accept any new members, existing members needed to decide what type of organization they wanted the SCO to be. If the SCO accepted members outside of Central Asia, this could shift its regional focus. Adding too many new members would dilute its effectiveness. Shao said there were lots of regional organizations that did nothing more than hold meetings and talk. He did not want to see that happen to the SCO.

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SCO: Need More Economic Cooperation  
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15. (C) Pan said that while the SCO has had successful cooperation on security, counterterrorism and border issues, so far, there had not been significant economic cooperation on the multilateral level. If most economic cooperation remained on the bilateral level, then there was no need for the SCO. He added that there was a possibility that Russia might join the Kazakh/China oil pipeline and that this could be the first joint economic project under the SCO framework. SIIS Lu Gang was more positive about economic cooperation. He said that, from the Chinese Government's point of view, economic cooperation was the most important part of the SCO process and vital to maintaining security in the region. China had initiated a USD 900 million loan program to Central Asian entrepreneurs and provided economic training to 1,500 people from SCO Central Asian countries.

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Continuing Concerns Over Regional Stability  
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16. (C) The scholars were concerned about stability in the region, in particular in Afghanistan. According to Pan, Afghanistan was not stable and China was concerned that this instability would negatively impact the situation in Xinjiang, which bordered Afghanistan. Pan said he personally supported NATO's request that SCO members send peacekeeping troops to Afghanistan. He noted that China had sent 1,000 peacekeepers to Lebanon at French President Chirac's request and commented that Afghanistan's stability was more directly in China's interest. Pan said that sending SCO peacekeepers would be "too

complicated" and advocated a Chinese troop contribution as more realistic, but said that the Government was not seriously considering the idea. Lu said China could not send troops to Afghanistan but could send resources. He supported more cooperation between the United States and China on Afghanistan and suggested that both countries engage in a concrete area such as drug-trafficking.

17. (C) Shao said China was also concerned about stability in the five Central Asian countries. According to Shao, most problems in the region stemmed from the fact that most of the current leaders had held power since the break-up of the Soviet Union and were unwilling to implement changes. It was unlikely that there would be any significant political reform until there was a new generation of leaders. She said that the current period was a transitional period, during which the region was at its most vulnerable state. She said Kazakhstan was the most stable country in the region and the only one that had implemented significant economic reforms and joined the global economy. While there was some friction in the relationship over oil resources and the pipeline, China had a cooperative relationship with Kazakhstan. Shao

also said noted the improved economic situation in Uzbekistan and said that this would improve stability in the country. She said China was most concerned about Tajikistan and Kyrgyzstan. Kyrgyzstan's president continued to have problems in controlling the country and Tajikistan would have elections in the near future.

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SCO: Welcome Cooperation From the United States  
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18. (C) Lu stressed that the SCO was not an anti-American organization and was not being used by Russia and China as a platform to oppose the United States. Pan had a similar viewpoint and added that the SCO and United States had common interests, especially on non-security issues such as health, environment and drug trafficking. He added that most SCO countries supported good relations with the United States, with Uzbekistan an exception. He added that the United States and Japan, which had expressed an interest in becoming an observer, could become SCO partners. This would be similar to NATO's Partnership for Peace program which allowed some countries to cooperate and have a dialogue with NATO. An SCO partner could have a liaison office at the SCO Secretariat, join military exercises as an observer, and conduct joint projects in areas such as poverty alleviation and combating drug trafficking.

19. (C) Shao and Lu said there should be more discussions between U.S., Chinese and Russian scholars about Central Asia. Shao noted that, in meetings with Chinese scholars, Central Asian scholars always complained about the United States. In their meetings with the United States, they always complained about China. To prevent themselves from being manipulated by the smaller countries, Russia, China and the United States should increase their own coordination. Shao acknowledged that China was concerned about the U.S. presence in Central Asia. China was not only concerned about the color revolutions, but also the U.S. military base in Kyrgyzstan which was near the Chinese border. China needed a clearer understanding of USG intentions toward Central Asia. Shao was particularly interested in the USG's new Greater Central Asia Initiative.

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China-Russia: Relations Not As Good As It Should Be

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¶10. (C) According to Pan, good China-Russia relations were in the interests of both countries. The border between the two countries was over 7,000 km long and both countries benefited from bilateral energy and economic cooperation. While there might be differences, the countries were always able to reach a compromise because they had common interests. He added that he had seen a report that said most Chinese believed that, within the next ten years, Russia would not be a threat to China. (Note: Pan did not specify as to why Chinese people did not view Russia as a threat. End Note.) However, there continued to be tensions between Russian and Chinese people. Pan attributed this to the influx of Chinese laborers in the Russian Far East. Many Russians feared that China would take over the area if this trend continued.

¶11. (C) Lu and Shao had similar views. They said that the overall political relationship between Russia and China was "good", but had not reached a "partnership" level. The China-Russia relationship was not at the same level as the U.S.-British or even the U.S.-Japanese relationship. In addition, President Hu and President Putin did not have close personal relations like President Bush and British Prime Minister Blair. Shao said that, unlike past Chinese leaders, Hu did not speak Russian or have a deep understanding of Russian issues. She added that President Putin also did not have a deep understanding of China. Like Pan, she thought that the relationship on the people-to-people level was not as good as it should be. In addition to the tensions caused by Russian concerns about Chinese laborers in the Russian Far East, there were also concerns about the lack of energy cooperation. She noted that Russia, to some extent, saw a rising China as a threat. She added that the relationship was also affected by

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each country's relationship with the United States. The deterioration of U.S.-Russian relations had allowed China to establish a closer relationship with Russia. Shao was not certain the two countries would have such a close relationship if U.S.-Russia relations improved.

¶12. (C) According to the scholars, both PRC and Russian leaders were actively engaged in efforts to promote better relations between the peoples of their two countries. For example, China had designated 2006 as "the year of Russia" and Russia had designated 2007 as "the year of China." The scholars hoped that such programs would increase trust between the two countries and lead to greater cooperation on Central Asia and other issues. They noted that Shanghai was contributing to this effort by investing USD 1.3 billion in a luxury real estate project in St. Petersburg. All three scholars noted that the project was very controversial, but that it was supported by the mayor of St. Petersburg who was a close friend of President Putin.

¶13. (C) EAP Political Officer Sam Chernawsky cleared this report.  
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